

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 21, 2010

POSITION: Neutral

SPONSOR: Association of California Healthcare Districts

BILL NUMBER: SB 1005

AUTHOR: D. Cox

RELATED BILLS: SB 1699 (Wiggins, 2008)

BILL SUMMARY: Public Contracts: Health Care Districts: Design-Build

This bill would authorize the Tahoe Forest Health Care District and one additional district (which would be authorized by the Office of Statewide Health Planning and Development) to use a "design-build" procedure when contracting for the construction of a hospital or health facility building – in contrast to the traditional "design-bid-build" method for public works construction. This bill contains a sunset date of January 1, 2016.

FISCAL SUMMARY

This bill would have no state General Fund impact upon the Office of Statewide Health Planning and Development or its Cal-Mortgage program, which insures health facility construction loans through the Health Facility Construction Loan Insurance Fund. We note that because the use of the design-build method is at the discretion of the health care districts' boards of directors, no state funded reimbursable mandate would be created.

COMMENTS

The Department of Finance is neutral on this bill as it has no fiscal impact upon the state General Fund.

The design-build method is a means of procuring architectural and engineering design and construction services from only one firm. Currently, health care districts in California must use the design-bid-build contracting process for construction projects which involves contracting with separate entities for the design and construction phases of a project. The only district that is an exception to this requirement is Sonoma Valley Health Care District. This district was authorized by SB 1699 (Chapter 415, Statutes of 2008) to use the design-build process as an alternative contracting method for its hospital and health facility construction projects.

This bill would allow two more health care districts to use the design-build contracting method - the Tahoe Forest Health Care District and another district to be determined. The design-build approach can be more efficient and cost effective than the design-bid-build process for several reasons. It requires one request for proposals for the selection of a design team and a builder as opposed to the design-bid-build method that requires multiple proposals for different contractor services. Using one firm to work on a project allows for overlap of the design and construction phases of a project which results in time savings and lower project costs. In addition, the design-build method mitigates the risk of disputes which are more likely with multiple contractors and it reduces the chance of changes in the project work which can cause costly delays.

The bill is supported by the Association of California Healthcare Districts, the California Chamber of Commerce, the California Hospital Association and numerous other organizations and healthcare districts as a means of providing flexibility in minimizing construction costs. It is opposed by the AFL-CIO and the Professional Engineers in California Government as an unnecessary break with the traditional design-bid-build method.

Analyst/Principal (0561) T. Williams	Date	Program Budget Manager Lisa Ann L. Mangat	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

D. Cox

June 21, 2010

SB 1005

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
4140/Stwd Hth Pln	SO	No	-----	No/Minor	Fiscal Impact	-----			0001
4140/Stwd Hth Pln	LA	No	-----	No/Minor	Fiscal Impact	-----			0518

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0518	Health Facility Const Loan Insurance Fd